

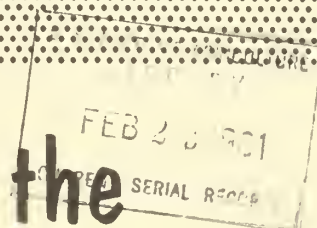
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Analysis of the
FATS and OILS Market
in Egypt and Syria



FOREWORD

In the late 1950's, many nations formerly dependent on the United States for a large share of sorely needed direct assistance and economic aid made near-phenomenal strides in both business and agriculture. Japan and the industrial countries of Western Europe are good examples of these nations which have moved from "aid" to "trade" status. Yet, economic progress in these countries came about with little fanfare or scant notice; and this transition was hardly perceptible or reasonably predictable. With the coming of economic betterment, U.S. assistance programs disappeared, and these countries became, and continue to be, good-to-excellent dollar markets for U.S.-produced agricultural commodities, both raw and processed.

Soybeans and soybean products shared in, and are a prominent part of, this prosperity. Concurrently, the soybean industry of the United States amalgamated into a world-wide promotional organization called the Soybean Council of America, Inc. This organization has been pressing hard on a global basis for increased use of the oil and protein fractions of the processed soybean, as well as the raw soybean. Its policies do not seek to displace any oilseed or oil-source material normal to the countries where it is promoting soybeans and soybean products. Rather, it is seeking increased consumption of all fats, oils, and proteins. The result of such a campaign has been to materially step up exports of U.S. soybeans and soybean products to accustomed user-countries and to sell soybean products, particularly soybean oil, in entirely new markets.

Thus, the 1960's appear to be the time for a comprehensive, intensive review of markets in countries where opportunities appear to exist--or seem imminent--for new business or expanded trade between U.S. firms and their counterparts (or foreign government agencies). That is why, in late 1960, the Foreign Agricultural Service began this review, the first of which is reported here.

In this review, and the others to come, basic market data concerning all aspects of oilseeds and oilseed products were obtained by personal contacts with key sources.

The primary intent of the report is to provide the U.S. vegetable oilseeds and oilseed products industry with information upon which it can make intelligent decisions as to possibilities, and degree of participation or activity, in a given market.

Our selection of the United Arab Republic for the first market analysis study in fats and oils was based on reports of increasing confidence in the Western World that the UAR should soon (and rapidly) rise above the "aid state," much as did Western Europe and Japan in the middle and late 1950's.

One such report was made early in 1960 by a U.S. trade mission that visited the UAR to look into the opportunities for increased business between U.S. firms and the UAR. The following paragraph as quoted from the May 2, 1960, issue of Foreign Commerce Weekly reflects the mission's optimistic views:

"The Mission was impressed by the United Arab Republic's program to improve the economy of the nation through intensive development efforts. It was particularly impressed by the dynamic, progressive type of people engaged in the overall direction of the Government and, through Government control, the overall development of industry. In practically all public meetings and in a majority of personal conversations with officials and businessmen in both the northern and southern region of U.A.R., the Mission was advised time and time again. . . .(of) unanimous group and personal expressions of welcome and friendship. . . .(and) desire for expanded commercial relations with the United States. . . ."

Other interesting extracts from the same story follows:

"There is a high regard and preference for the quality of U.S. products, knowhow, managerial, engineering and technical abilities, and dealings with U.S. businessmen."

"The Mission is convinced that a substantial pent-up demand exists for U.S. products of all types."

"Mission members believe that the U.A.R. Government can be important customer for U.S. products, services, and know-how."

In our own studies, we found that factors favorable to an expanded trade tend to outweigh the unfavorable. Thus, the UAR was high on the list of prospective nations in which to begin market analysis studies for fats and oils.

A handwritten signature in dark ink, reading "Walter W. Sikes". The signature is written in a cursive style with a large, looping initial "W".

Walter W. Sikes, Director
Fats and Oils Division

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AN ANALYSIS OF THE FATS AND OILS MARKET IN EGYPT AND SYRIA

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COMPARISONS AND CONTRASTS EGYPT AND SYRIA

Egypt and Syria were politically united in 1958 to form the United Arab Republic (UAR). While economic union of the two countries is now in process--and will doubtless continue to be a primary objective of the UAR--its accomplishment appears to be several years away.

Central ministries located in Cairo set policies for both Egypt and Syria. But separate ministries in each Region (Egypt is the Southern Region and Syria the Northern) determine the economic direction of their respective countries, subject, of course, to the approval and consent of the central government.

For all practical purposes, the fiscal and monetary policies of Egypt and Syria operate somewhat independently.

As for the fats and oils economy,¹ Egypt normally produces about four-fifths of its requirements (at a rather low level of consumption) and must import the other one-fifth. Syria is a traditional net exporter of fats and oils, nearly all of which is in the form of cottonseed and cottonseed oil.

Egypt is heavily biased toward cottonseed oil. All other oils, liquid and hardened, are far from ready-acceptability. Butter is the principal table spread in both countries, whether from cows, sheep, or water buffaloes. Syrian consumer tastes for cooking fats are primed to samneh,² an animal-origin ghee, principally from the cream of sheep's milk. Second and third choices are olive oil and margarine. Everybody seems to agree that cottonseed oil is fourth choice to the Syrian. Hardened coconut oil and sesame paste bring up the rear.

Egypt's entire edible fats and oils economy is government-controlled. The Egyptian Government is the sole buyer/importer for edible fats and oils. However, Egyptian private enterprise does import "essential" industrial fats, of which tallow for soap is by far the most important. In Egypt, all edible fats and oils are under strict price control. Allocations are made at the processor level, and cottonseed oil is rationed.

Prices of Syrian fats and oils are determined on a free-market basis. Importers and exporters buy and sell as do their U. S. counterparts. Importers are restricted, however, by a strict import licensing system. Even with an import license in hand, the price they must pay for hard currency foreign exchange has an important bearing on the import price of the commodities.³ Within certain limits, Syrian wholesalers and retailers sell at prices the market bears.

The fats and oils business by and between Egypt and Syria operates much as does business between two nonpolitically related nations. While most "custom taxes" between these two regions of the UAR have been lifted, this is not generally true in fats and oils, although a most-favored-nation treatment exists in some commodities.

¹The term "fats and oils" as used herein is generally understood to be all-inclusive.

²Recipe is given in Appendix 1.

³Foreign exchange is discussed later in detail for both Egypt and Syria.

THE EGYPTIAN FATS AND OILS STORY

In the fall of 1959, Egypt bought its first commercial lots of soybean oil and, recognizing its potentials, purchased additional quantities in the summer and fall of 1960. True, in both years, this soybean oil was made possible through Title I of Public Law 480; and this may be the case for the next few years. However, this statue is acting as a bridge between aid and trade.

The Food Fats "Famine" Along the Nile

Every guest registering at Cairo's newest hotel is handed a publicity booklet which contains these words on the inside front cover--"Egypt is the Nile--and the Nile is Egypt." Commodity-wise, one could appropriately add--"Egypt is Cotton--and Cotton is Egypt." Annually since World War II, Egypt has produced more cotton fiber than it needs for domestic consumption, but in that same 15-year period it has yet to produce enough cottonseed for food, feed, and industrial requirements. By far the most important commodity extracted from the cottonseed is the edible oil, and the only really important edible oil in Egypt is cottonseed oil.

The average consumer in Egypt is eating slightly less than 10 pounds of fats and oils per year, which is less than one-fourth of the per capita edible consumption in the United States:

	<u>Pounds</u>		<u>Pounds</u>
United States	46	Pakistan.....	5
United Kingdom.....	48	India.....	10
Germany.....	56	Syria	19
Italy.....	40		

Egypt roughly produces about four-fifths of its fat intake, and must import the other one-fifth. This pattern has held for the past 5 or 6 years. Although the UAR Government has an avowed intention of cutting down on cotton acreage and upping the acreage planted to cereals, this policy is not likely to be implemented unless it is foreseen on an annual basis that reduced cotton acreage would be to Egypt's advantage. In any case, it appears that any increase in cotton production has got to come from increased yields. The Aswan High Dam may change this story somewhat, but its first effects are at least 5 or 6 years away--and even then, it is doubtful that much of the "new" land will go into cotton.

UAR officials close to this figurative fat famine are fully aware that as and when the economy of the UAR forges ahead, more and more families will be using up their rationed oil earlier in the month, and more people will want, and will be able to pay for, more fats and oils than they have had available to them in the past several years. So the 10 pounds will rise to 11. . . . 12. . . . 13. . . . and may well reach 15 pounds per person per year by 1965. The UAR industrial reform should bring this about. There will be agglomerations of people in industrial centers, and more and more people will leave the rural areas for city life. These things alone tend to increase demands for edible oils and proteins.

And for every pound that per capita consumption of food fats rises above 10, the Southern Region of the UAR will have to find somewhere 12,000 metric tons of edible oil, or its equivalent in oilseeds. Some of this has got to come from additional imports--at least in the next several years.

As far as daily caloric intake is concerned, the average Egyptian is well off. Specialists say his requirements are 2,380 calories, and he is getting 2,590. However, he is getting bulk at the expense of a reasonably balanced diet. The protective foods are missing.

Sometime around the middle 1950's, the Food and Agriculture Organization of the United Nations developed statistics which pointed out that the lack of these essential protective foods in the diets of the Egyptians caused widespread nutritional deficiency diseases, particularly among pregnant women, babies, and small children. FAO also reported that rickets and anemia were among the common diseases at that time. Surely, later statistics from more recent studies will reflect much improvement, but good nutrition, particularly in the lower and middle income brackets, is sorely needed.

President Nasser recently committed himself to a program of doubling the national income in 10 years--and his government is working diligently in that direction. Ministries concerned with this problem are fully aware of the general need for higher quality diets. Thus, the government undoubtedly will continue to press hard to get more oils and proteins into the diet as balancers for the available carbohydrates.

Add to this the fact that the population is growing by more than a half million each year. The net annual population increase is about 2 percent.

Certainly, the need for more of the right kinds of food is clear, basic among which are edible fats and oils.

Industrial "Fats"

About 35,000 metric tons of industrial "fats" are annually used in Egypt, based on statistics for 1958, 1959, and 1960. It appears that more than 90 percent of all industrial oleaginous materials are used in the manufacture of soap. Tallow is by far the principal soapstock.

Egypt produces no inedible tallow or greases. Its imports of tallow have averaged about 32,000 metric tons for the past 3 years, principally from the United States, but still the demand is short of satisfaction by some 8,000 to 10,000 metric tons.

Egypt's principal fats and oils shortage, however, is in the food area.

Plans To Reduce the Deficit

The Government of the UAR recently estimated Egypt's total fats and oils shortage at 69,000 metric tons. This is between $5\frac{1}{2}$ and 6 pounds per person, based on recent statistics showing Egypt's 1960 population to be about 26 million. By 1965, the Egyptian fats and oils deficit is estimated by the UAR Government at 96,000 metric tons--assuming that there will be no material ratio change in the total supply picture by that time. Given the best of conditions, the government feels it will do well to cut the shortfall in half. Anything better than that appears too optimistic.

To improve its fats and oils position, Egypt can resort to one or more of four alternatives:

1. Import more vegetable oil or oil-bearing materials or both.
2. Produce a larger cotton crop.
3. Plant more land to primary oilseed crops.
4. Improve and expand handling, processing, and refining techniques.

In view of these alternatives, what are Egypt's intentions? The answer seems to be divided between present policy, on the one hand, and the stated objectives of the 5-year Industrialization Plan, on the other. It appears to be this way:

1. Present Policy. Normal imports are in the neighborhood of 25,000 metric tons annually as oil or the equivalent in oilseeds. Egypt plans to import up to another 25,000 metric tons annually if it can be satisfactorily worked within the framework of the country's trade agreements, P.L. 480 arrangements, outright purchases with soft currency, or even under a foreign exchange allocation involving hard money.

2. Present Policy. Whether larger or smaller cotton crops are planted in Egypt depends on year-to-year requirements. The cotton policy coincides closely with world policy, and production and marketing are governed accordingly. However, it appears that for some years to come, Egypt has reached its peak in cotton acreage.

3. 5-year Industrialization Plan. Egypt plans to reclaim 30,000 acres of wasteland, and seed it to peanuts for crushing into oil. At present, Egypt's small peanut production is used only for edible purposes or export. Additionally, on the industrial side, it is hoped that an additional 8,000 acres of reclaimed desert land can be used for castorbean production.

4. 5-year Industrialization Plan. This is a four-way breakdown:
- a. Improve cottonseed storage.
 - b. Decorticate all cottonseed prior to extraction.
 - c. Install continuous, centrifugal refining.
 - d. Extract oil from indigenous rice bran.

The next logical question is, How much will all of this reduce the shortage?

Under Point 1. An indefinite amount, but some quantity up to 25,000 metric tons.

Under Point 2. Unknown.

Under Point 3. 11,000 metric tons from peanut production; 3,000 metric tons, from castorbeans.

Under Point 4. 14,000 metric tons:

- (a) 1,000 tons
- (b) 7,000 tons
- (c) 3,000 tons
- (d) 3,000 tons

This works out to a minimum reduction of 28,000 metric tons and a maximum of 53,000 metric tons, the question marks being the quantity of imported material beyond the usual, plus increases in cotton acreage or yields.

Cottonseed Oil Economy

In 1959, about 85 percent of all Egypt's edible oils was cottonseed oil, and it comprised more than half of the vegetable oils used industrially. In the next few years, consumer preferences will change as "competitive" oils enter the Egyptian market, particularly soybean oil, but right now when the Egyptian consumer buys liquid edible oil, he wants it to be cottonseed oil.

Since 1942, cottonseed oil has been a rationed commodity in the Southern Region of the UAR. Each person in Egypt is allowed one-half oke of cottonseed oil per month--624 grams or about 1-3/8 pounds. Along with rationing, authorities of the united Arab Republic have imposed price controls. Within the control structure, the retail price of cottonseed oil is the equivalent of about 9 or 10 cents per pound, depending upon quality and whether in bulk or packaged. Outside the control structure, limited quantities of cottonseed oil may be bought at prices varying from half again as much to double the controlled prices. Other kinds of fats and oils produced in Egypt are available at uncontrolled or free-market prices. In the late fall of 1960, samna (dehydrated butter) retailed in Cairo for about 50 cents a pound; and artificial samna (vegetable ghee) 18 cents a pound.

Other imported oils, or oils from oil-bearing materials other than cottonseed, are controlled, but on somewhat different basis. For instance in 1959 when Egypt bought its first soybean oil from the United States under P.L. 480, UAR Ministry of Commerce

put a two-price system on it, depending on ultimate use. It was sold by the government for manufacture into soap at about 13 cents a pound and for processing into margarine at about 15-1/2 cents.

Of the vegetable oils now on the market, it is extremely doubtful that the average consumer finds any liquid oil except cottonseed oil in the markets where he buys. A little olive oil is available, but is for the "carriage trade". This is also true of brand-name hardened oil of U. S. origin. Other non-cottonseed oils, both locally produced and imported, are, in general, "lost" in the manufacture of margarine and vegetable ghee. In a sense, this displeases the Egyptian government, since it appears very anxious to acquaint consumers with the merits of such oils as soybean oil, when and if sold as a cooking or salad oil in the liquid state.

The Egyptian View of Soybeans and Soybean Oil

In 1958, Egypt imported 5,000 metric tons of soybeans from the Republic of China. These soybeans were probably the first commercial lots to be imported into the Southern Region of the UAR. They were not crushed, but were used directly for food in much the same fashion as dry edible beans and peas are used in the United States.

A year later, Egypt imported the first soybean oil, about 7,000 metric tons under the U. S. P.L. 480. Some of it went for soap, a use that, in the United States, would have been considered uneconomic. Egypt, however, had valid reasons for this use. First, it was short of tallow, which it generally uses for soap. Second, it did not have the technical knowledge on how to handle and properly use soybean oil. The second problem is on its way to solution however; the U.S. industry has sent a chemist to acquaint Egyptians crushers and refiners with soybean-oil handling.

In 1960, Egypt was granted a P.L. 480 allocation of some 17,000 metric tons of vegetable oil, which it took up in soybean oil. It is pretty well established that Egypt bought the soybean oil in both 1959 and 1960 purely because it was cheaper than cottonseed oil.

Foreign Trade Policies and Procedures

Egypt imports only "essentials," commodities which the government considers necessary to the economic objectives of the current 5-year Plans of Industrial and Agrarian Reform. Its principal foreign exchange earners are cotton and Suez Canal tolls, the latter receivable only in hard currency. The government maintains strict controls on foreign exchange because of its scarcity. Practically every commodity leaving and entering the country is subject to licensing.

On October 19, 1960, in connection with the proposed extension of a trade agreement with Russia, the UAR Executive Minister of Economy said:

"Our foreign trade policy aims at ensuring stability and equilibrium in the volume of trade and the disposal of specified quantities of important commodities within the duration of any trade agreement between the UAR and any country."

With respect to imports, to the extent practicable Egypt imports from countries with which it has trade agreements, more especially those countries to which it is in debt.

Egypt has no trade agreement with the United States, but its purchases under Public Law 480 are paid for in Egyptian pounds, which means its tight foreign exchange situation is not taxed nor its reserves cut.

Hard-Currency Assets

Egypt's gold and foreign exchange position has been considerably better than it is now, but it is not bad by any means. At the end of 1957, Egypt owned \$540 million in gold and foreign exchange. By March 1960, it had only \$344 million, but gained to \$358 million by the end of September, of which \$175 million was in gold. At the end of September 1960 also, Egypt had a net liability of clearing accounts of \$148 million, which, however, does not necessarily have to be paid in hard currency.

It is considered that \$210 million is the minimum net favorable position. Thus, Egypt can spend a limited amount of dollars for U.S. goods and services, and does so for considered essentials, although it encourages its businessmen to use every other avenue open to them. Obviously, Egypt is not going to reduce its foreign exchange holdings nor impair its reserves unnecessarily.

This will probably be the case for at least the next 4 or 5 years. After that time, the results of Egypt's 5-year Industrialization and Agricultural Plans should be coming into fruition, and the Southern Region of the UAR should be well into the transitional period between "aid" and "trade." In the meantime, the UAR Government, through its Ministry of Supply probably will continue to be the exclusive buyer.

THE SYRIAN FATS AND OILS STORY

Syria has only $4\frac{1}{2}$ million people as compared to Egypt's 26 million, and theoretically might be expected to consume about one-sixth of the tonnage of fats and oils its political partner uses. However, it appears that the total fat and oil consumption in Syria is equal to about one-third of Egypt's consumption--broken out roughly as follows:

	<u>Syria</u>	<u>Egypt</u>
	<u>Metric tons</u>	<u>Metric tons</u>
Edible	40,000	115,000
Industrial.....	12,000	35,000
	<u>52,000</u>	<u>150,000</u>

Syria's total annual per capita consumption of fats and oils is about $25\frac{1}{2}$ pounds, of which about $19\frac{1}{2}$ pounds are edible and 6 pounds industrial. This compares with a total of about 13 pounds for Egypt--about 10 pounds edible and 3 pounds industrial. In both countries, soap "fats" probably comprise more than 90 percent of all industrial fats and oils used.

Despite the relatively high fats and oils consumption in Syria and notwithstanding Syria's traditional net export position of cottonseed oil, Syria's use of fats and oils in the next few years is expected to increase--thereby offering a potential market for U. S. exporters of fats and oils.

Characteristics of the Syrian Market

Most Syrians prefer samneh; any other cooking oil is considered a poor substitute. But it is the highest priced and scarcest of all fats and oils in Syria. Droughts in the past 3 years killed an estimated two-thirds of all sheep, the principal samneh source. In mid-November 1960 samneh retailed in Damascus for about \$1.50 per pound.⁴ Whether imported or produced locally, samneh requires no refrigeration.

Next to samneh the Syrian family prefers either olive oil, all locally produced, or margarine, which is imported.⁵ Margarine and samneh comprise about one-fourth of

⁴ This undoubtedly was imported samneh from Jordan or Iraq or samneh produced in the Syrian desert.

⁵ Limited margarine production will soon begin in Syria.

Syria's edible fats and oil consumption and olive oil about an eighth. Three-fourths of all samneh and margarine used in Syria in 1959 was imported. Olive oil and margarine retailed in Damascus for about 50 cents and 60 cents a pound, respectively, in November 1960.

Cottonseed oil is always available to the Syrian, but it is fourth in order of preference. Its relatively cheap price and ready supply make it No. 1 among the fats and oils used in Syria. In 1959 it comprised about 44 percent of the total "edibles." Fully refined cottonseed oil retailed in late 1960 in Damascus for about 17 cents a pound.

Other edible oils are coconut oil and sesame paste (tahineh), which make up the difference of about 18 percent.

As for Syria's use of industrial fats and oils, it is about 12,000 metric tons annually, half of which are imported fatty acids. Detergents in wholesale/retail form amount to about 2,000 tons.

Syria: Demand, production, and imports of fats and oils¹

Commodity	Demand	Domestic production	Imports
	<u>Metric tons</u>	<u>Metric tons</u>	<u>Metric tons</u>
EDIBLE			
Samneh and margarine	12,000	3,000	9,000
Olive oil	7,000	7,000	--
Cottonseed oil	19,000	19,000	--
Copra (as oil)	2,000	--	2,000
Total	40,000	29,000	11,000
INEDIBLE			
Fatty acids	6,000	--	6,000
Copra (as oil)	3,000	--	3,000
Olive oil	1,000	1,000	--
Detergents	2,000	--	2,000
	12,000	1,000	11,000
Total edible and inedible...	52,000	30,000	22,000

¹ These data are estimates, but represent the consensus of Syrian fats and oils industry for 1959 and 1960 and possibly for 1961 and 1962.

Need for More Fats and Oils

Syria has embarked upon an ambitious program to decrease dependence on agriculture and step-up its industry. As it progresses industrially, it sees definite possibilities that its people will require increasing quantities of fats and oils, particularly edible.

When Syria's demand for more edible fats comes, it probably will not be at the expense of cottonseed and cottonseed oil exports. Instead, the supply will come from--

1. A new and revitalized sheep economy, for samneh,
2. Materially increased supplies of margarine ("shortening" in Syria) from cottonseed oil,
3. Imported oilseeds (possibly soybeans) for margarine as a substitute for olive oil, which Syria conceivably could export as an additional hard money exchange earner.

A substantial increase in Syrian demand for edible fats and oils may be several years away, depending on how the country's programs progress. In the meantime, an important consideration for U.S. business possibilities in Syria is that only a part of Syria's hard currency is government controlled. This opens the gate to discussions of the purchasing power Syria has to cover the increased needs, when that day comes.

Foreign Exchange and Restrictions

Perennially, the value of Syria's exports is lower than the value of its imports, but the country balances the account principally by royalties from oil pipelines. Also, its import restrictions strongly favor the importation of so-called essentials that are needed in the country's development programs.

Syria, like Egypt, has a shortage of dollars but, unlike Egypt, its government is not the buyer-importer. Syrian businessmen negotiate their own import contracts, but with certain limitations. The import commodity must be on the "approved," or "essential," list; this could possibly be waived, but only after a long, tedious process. Furthermore, it is usually subject to a custom tax.

Businessmen are also required to obtain an import license for practically all commodities (of over a \$100 value) they wish to bring into Syria. If this license is issued, they pay a $2\frac{1}{2}$ percent "statistical tax" (ad valorem f.o.b., his plant). The so-called essential foodstuffs do not require a license. (Of the fats and oils, only samneh and cheese were judged essential in late 1960 when this study was made. Butter and margarine are on a permitted list that requires an import license and the payment of the statistical tax, but they are imported free of duty.)

Syria has a "controlled", or "organized" exchange and a "free" exchange.⁶ The principal purpose of the controlled exchange is to assure stability of the Syrian pound in the world money market.

Controlled Exchange.--The controlled exchange is administered by the Central Bank under the overall direction of the Syrian Exchange Office (SEO).

SEO is not normally a "trader" in this market, but is empowered to do so if it deems it appropriate to stabilize the Syrian pound.

This exchange is available to businessmen only, when allocated by SEO through the Central Bank.

It must be "repatriated," or balanced out by the exporter.

The rate of the Syrian pound in relation to the dollar (and other convertible currencies) is set on a daily basis by SEO.

In general, controlled exchange is harder to get, but cheaper. The present rate is about $3.58\frac{1}{2}$ Syrian pounds per U. S. dollar as compared with 3.87 for the free rate.

Free Exchange.--Free exchange is available on a supply and demand basis.

No repatriation is necessary. In fact, Syrian capital can "fly away" at any time without any accounting to the government. Whether it remains as a deposit in a foreign bank or in the form of a Letter of Credit is solely the business of the buyer/importer (in consideration of licenses, custom taxes, essentiality, etc., as previously mentioned).

The rate is not controlled but fluctuates in relation to the controlled rate. At present differentials, there is about an 8 percent premium on the free exchange compared to the controlled.

⁶ Details are set forth in the U. S. Department of Commerce's Bulletin No. 60-7, part 2, "Licensing and Exchange Controls. . . . Syria (U.A.R.)."

This premium induces prospective Syrian importers to apply for the cheaper controlled exchange. If, however, they need exchange on a spot or fortnightly basis (as is the case more often than not) the buyer/importers will resort to the free (and higher) rate to cover their requirements.

As cumbersome as this may seem, it does represent a large amount of freedom of action as compared with Syria's UAR partner, Egypt, where all exchange is controlled by the government and where the government is the sole importer of all edible fats and oils. Syria's import restrictions are such that flexibility is possible under circumstances which would work to the advantage of the Syrian economy.

Customs taxes on fats and oils imported into Syria¹

Commodity	Tax
From non-UAR countries:	
Linseed oil.....	40 Syrian pounds per 100 kilos or 20 percent ad valorem
Corn oil.....	35 Syrian pounds per 100 kilos or 20 percent ad valorem
Sunflower oil.....	35 Syrian pounds per 100 kilos or 20 percent ad valorem
Soybean oil.....	35 Syrian pounds per 100 kilos or 20 percent ad valorem
From Egypt:	
Linseed oil.....	30 Syrian pounds per 100 kilos or 15 percent ad valorem
Sesame oil.....	20 percent ad valorem
Peanuts and other oil-bearing seeds ²	15 percent ad valorem

¹ A kilogram is about 2.2 pounds. A Syrian pound is about 28 U.S. cents at the controlled rate. Ad valorem is calculated as the value of the commodity delivered to the final Syrian destination. Duties are collected basis, 3.60 Syrian pounds per U.S. dollar. The customs officer determines the higher of the ad valorem or the per unit published custom tax, and this becomes the duty on the imported commodity.

² Includes soybeans.

CONCLUSIONS

Egypt

Egypt is short about 69,000 metric tons of all fats and oils, most of which is edible oils. This is more than $5\frac{1}{2}$ pounds per person. By 1965, according to UAR calculations, the shortage will mount to 96,000 metric tons.

Through its 5-Year Industrialization and Agricultural Plans, plus present policy, Egypt expects to cut the deficit in about half, but will not make much headway until 1965 or after. Part of the shortage is expected to be made up of imports up to 25,000 additional metric tons of vegetable oil, or its equivalent in oilseeds. (Imports now average about 25,000 metric tons.)

Egypt has limited amounts of hard currency which could be used to import oilseeds and oilseed products from the United States, but it will not use this foreign exchange unless it must. It will seek to reduce the shortage through vegetable oil purchases under Public Law 480, or through purchases in the soft currency market.

Egyptian consumers prefer cottonseed oil as a liquid cooking or salad oil--which is a rationed commodity and under price control. The UAR has imported about 24,000

metric tons of soybean oil in the past 2 years, most of which has gone into the manufacture of margarine and vegetable ghee. UAR officials are interested in the promotion of soybean oil as liquid oil.

Egypt's Ministry of Foreign Supply will be the sole buyer of U. S. edible fats and oils (presumably only vegetable oil under Public Law 480) until considerable improvement is made in Egypt's hard money foreign exchange supply. This is not expected to come before 1965 or 1966.

Syria

Syria's fats and oils consumption on a per capita basis is about double that of its political partner, Egypt. It is about $19\frac{1}{2}$ pounds for edible fats and oils and about 6 pounds for the industrial. Total edible fats and oils consumption is about 40,000 metric tons annually, and industrial, about 12,000 metric tons.

The principal edible fat in Syria is samneh, or ghee, which is a cooking oil obtained by dehydrating cream or butter. In Syria, the principal normal source is from the cream of sheep's milk, but this source has been materially impaired as a result of 3 continuous years of serious drought. Olive oil and imported margarine are second and third in importance according to consumer preference, and cottonseed oil is fourth. Other minor fats and oils are coconut oil and sesame paste.

Syria's industrial fats and oils come mainly from imported fatty acids, copra and detergents, which together make up three-fourths of the 12,000 metric tons used annually for the past 2 years.

No material change is expected through 1962 in the total consumption of either edible or industrial fats and oils.

Limited convertible currency exchange is available in Syria on a free-enterprise basis (without government allocation), but a rigid import licensing system prevents the free exercise of international fats and oils trade.

About 85 percent of Syria's cotton crop is produced on irrigated land, so has been reduced little by the 1958, 1959, and 1960 droughts. This has provided a source for cottonseed oil from locally produced cottonseed, although cottonseed oil is fourth in consumer preference.

Syrian demand for substantial increases in fats and oil consumption is several years away. However, when it comes, it is likely to be met from one or more of the following sources:

1. A new and revitalized sheep economy, for samneh.
2. Materially increased supplies of margarine ("shortening" in Syria) from locally produced cottonseed oil,
3. Imported oilseeds (possibly soybeans) for margarine as a substitute for olive oil, which Syria conceivably could export as an additional hard money exchange earner.

APPENDIX I

INSTRUCTIONS FOR MAKING GHEE OR SAMNA (Based on Observations Made in the Near and Far East)

Ghee Made From Cream.--Use cream of a quality that will make a butter scoring not less than Grade B or 90. Pasteurize (no color added), culture to 0.9% acid with good lactic starter. Churn; place unwashed butter in a steam jacketed kettle. Heat slowly until melted and boil with constant stirring until moisture is driven off. For low-heat ghee, heat to 221° F. never higher than 230° F. (closer to 221° F.) in 6 to 8 minutes, at which time scum should break and show clear ghee. For high-heat ghee, heat to 239° F., never higher than 248° F. (closer to 248° F.) in 8 to 10 minutes. Remove from heat; allow to settle for 15 to 20 minutes. Filter clear ghee through single-service filter. If not clear, refilter or clarify.

Ghee Made From Butter.--Use butter scoring not less than Grade B or 90. Melt in steam jacketed kettle, add 0.5% to 1.0% good lactic starter or 20% freshly churned unwashed butter, cook as above.

In both methods, cool ghee slowly after canning. Grain usually develops within 24 hours.

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